

# **Exhibit 1**

UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WISCONSIN

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AUTHENTICOM, INC.,

Plaintiff,

-vs-

Case No. 17-CV-318-JDP

CDK GLOBAL, LLC and  
THE REYNOLDS AND REYNOLDS COMPANY,

Madison, Wisconsin  
June 27, 2017  
8:04 a.m.

Defendants.

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STENOGRAPHIC TRANSCRIPT OF SECOND DAY OF EVIDENTIARY HEARING  
**(MORNING SESSION)**

HELD BEFORE CHIEF U.S. DISTRICT JUDGE JAMES D. PETERSON

APPEARANCES:

For the Plaintiff:

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APPEARANCES CONTINUED:

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Also appearing: ROBERT SCHAEFER and KELLY HALL,  
The Reynolds and Reynolds Company

1 Q Where do you work?

2 A I work at AutoLoop.

3 Q How long have you been an employee of AutoLoop?

4 A Nine years.

5 Q What is your position?

6 A I'm the chief product officer of AutoLoop.

7 Q Can you briefly describe AutoLoop's business and products?

8 A Absolutely. We are one of the leading customer attention  
9 marketing service and sales retention products in the  
10 marketplace. We also provide a CRM, scheduling tools, service  
11 drive check-in process, work flow management for dealerships.

12 Q What kind of dealer data does the full suite of AutoLoop  
13 applications need to function?

14 A We use quite a bit of data. We have some very high data  
15 demands. We use -- we pull all the ROs, open and closed. We  
16 pull deals, appointments, parts inventory -- well, that's a  
17 request that we have outstanding -- parts orders, special order  
18 parts, also customer information.

19 Q And can you remind the Court what ROs stands for?

20 A Yes. Repair orders. It's a service ticket.

21 Q How does AutoLoop typically get the data -- dealer data it  
22 needs?

23 A We use a third-party integrator where we can. Where we  
24 can't, we use RCI and CDK's interfaces.

25 Q Why do you use third-party integrators?

1       A       We use third-party integrator -- we actually use SIS  
2       currently. They still do have some business through non-RCI and  
3       non-CDK dealerships. We use them because they provide a  
4       one-stop where we can come in and extract data for all of the  
5       different DMS types.

6       Q       Historically when you purchase data integration services  
7       from SIS, how much did you pay for the full suite of AutoLoop's  
8       products?

9       A       \$39.

10      Q       Were you satisfied with SIS's service?

11      A       Yeah, absolutely.

12      Q       Did you consider SIS's services to be secure?

13      A       Yeah, we did.

14               THE COURT: How would you know?

15               THE WITNESS: We didn't get into the details with them.  
16       We asked them what they do. They said they had some standard  
17       practices they do, and they carried insurance policies for it,  
18       and so we took them at face value on that.

19               THE COURT: Okay. Good. Thank you.

20       BY MR. MILLER:

21      Q       I want to move quickly through this. So was there a time  
22       when you stopped using SIS for integration with Reynolds  
23       dealers?

24      A       With Reynolds dealers, yes. We stopped in 2015.

25      Q       Why?

1       A       Because we got notice from SIS that they would no longer be  
2       continuing to support integration for RCI. Leading up to that  
3       point, we had been undergoing some stress with their ability to  
4       support the integration. They were being blocked by Reynolds  
5       and Reynolds, and they were not being allowed to extract the  
6       data on a day-to-day basis.

7       Q       Could you briefly describe how Reynolds' blocking impacted  
8       AutoLoop's business?

9       A       Absolutely. It was kind of a day-to-day struggle for us.  
10       We would routinely come in in the morning and have anywhere  
11       between a hundred to 500 stores that would be shut off and not  
12       able to run our software tools, so we would have support tickets  
13       from every one of our dealerships with very colorful language  
14       telling us why they're upset with us and that they needed to get  
15       the system back up and running. Our engineering team was  
16       incredibly taxed during that time trying to come up with  
17       solutions and work with SIS to get the data feeds back up in  
18       place. It took all of our development resources away from  
19       developing products and focused them on trying to sustain  
20       running our dealerships' integration.

21       Q       Did AutoLoop eventually become RCI certified?

22       A       Yes, we did.

23       Q       Approximately when?

24       A       That was 2015 we signed the contract with them, and then it  
25       took a bit of time to finish the integration and certify and

1       officially transition all of our dealerships over.

2       Q     In 2015 how much did Reynolds charge AutoLoop for RCI  
3       integration for a dealer using, say, the full suite of  
4       AutoLoop's products?

5       A     We were somewhere in the \$700 range, in the mid-700s.

6       Q     And today how much does Reynolds charge AutoLoop for  
7       integration for that suite of products?

8       A     Our most recent price increase took us to \$835 for that  
9       full package.

10      Q     In addition to the package cost, are there any additional  
11      fees that Reynolds charges?

12      A     Yes, there are. As of recently, Reynolds has added an  
13      additional cost to the RCI package which relates to anytime we  
14      push a transaction back to the DMS, there's an additional 5 cent  
15      charge that is added to it. For an example, when we need to  
16      write an appointment to the DMS, if we have to update the  
17      customer information, that's a transaction, and then if we have  
18      to push the appointment into the DMS, that's a transaction as  
19      well. So for a customer to go online to schedule an appointment  
20      for a dealership, that costs an extra 10 cents. On average that  
21      costs us about \$70 a dealership extra on top of the normal  
22      integration costs. That's an average. I have dealerships that  
23      run over \$1,000 a month in transactional charges just -- that's  
24      just the transactions, so that would be in addition to the \$835  
25      cost for the flat integration fee.

1       they wanted us to be certified through CDK, a certified program,  
2       so we opted to not go through the pain again, and we went with  
3       the direct integration.

4       Q     Have you fully transitioned to 3PA yet?

5       A     We have not. We're still in the middle of finishing the  
6       certification. We're about 40% through the transition right  
7       now.

8       Q     Under your current contract with CDK, will you be able to  
9       keep using SIS on all your dealerships?

10      A     We can only use SIS for non-CDK and Reynolds business. We  
11      have to transition all of our accounts for all products over to  
12      CDK interface.

13      Q     How much did CDK charge AutoLoop for 3PA integration when  
14      you first joined?

15      A     We were around \$690, \$694, something like that.

16      Q     Did you have any prior agreements with CDK that permitted  
17      any of your products to access the CDK DMS?

18      A     Yeah, we did. We actually -- we acquired a company in 2014  
19      called CAR-Research or CAR-Interactive. They're a CRM company.  
20      They were previously certified under the ADP certification  
21      program, and they were paying about \$160 a month for that  
22      integration.

23      Q     And so for -- the price for your access to the CDK database  
24      went from approximately \$160 in 2014 to \$694 in 2016; is that  
25      correct?



1 A No. We've not been in the business of trying to get money  
2 off of the transactions. We're just trying to sell software.

3 Q In your experience are 3PA and RCI significantly better  
4 integration services than SIS?

5 A No, not particularly. I haven't found anything about them  
6 that's any better or improved on the transactions that I would  
7 get from SIS.

8 Q Are there any ways in which RCI and 3PA are more limited  
9 than SIS?

10 A Yeah. I did lose some functionality when I made the  
11 transition to both of the different systems in different ways.  
12 With the RCI system I lost the ability to make some of the  
13 notifications that I do around parts, special order parts  
14 orders. I can no longer get the information indicating when I  
15 can make those notifications through the RCI program. I also  
16 lost the ability to do some pushback information, and with CDK  
17 there was some things I lost the ability to do as well.

18 Q So why does AutoLoop pay these higher integration fees from  
19 Reynolds and CDK?

20 A It was a decision where we had to look at the things that  
21 we were dealing with on the support basis and the constant loss  
22 of business and upset dealerships saying, "Hey, you guys, you  
23 got to keep your system up. We can't keep running our business  
24 with your software if your software doesn't work."

25 So at that point it was a decision. We're like, "Okay. We

1 sticky situation for me because I charge them a DMS -- I charge  
2 them an integration fee, and if that -- and then CDK has  
3 published fees that don't align with the fees that they charge  
4 me, so dealerships go onto their website and look up fees for  
5 what they think that I should be getting, and it doesn't align  
6 with what I'm charging even though I'm passing the fees straight  
7 through, and I'm not allowed to show them my contract or the  
8 terms or the costs in my contract so they don't -- my  
9 dealerships get upset with me, and they feel like I'm misleading  
10 them in what I charge them.

11 THE COURT: So what is CDK publishing?

12 THE WITNESS: They're publishing -- I have been told  
13 it's their standard rack rates for integration -- they call them  
14 pips. They're integration points, but our package, because of  
15 the data that we need, is combinations of those, and so it  
16 doesn't align with what they've published as their pricing, but  
17 I'm not allowed to show anything to support my cost.

18 THE COURT: All right. Thank you. Go ahead.

19 BY MR. MILLER:

20 Q Last topic, Mr. Rodeghero. How has AutoLoop's switch from  
21 SIS to 3PA and RCI for integration affected its business?

22 A A couple big things. I mean, as you heard from Dominion,  
23 they have products that the product itself costs less than the  
24 integration, and I have that as well. I have scheduling  
25 products and other products that cost well under the integration

1 fees, and so from the standpoint of trying to sell a product to  
2 a dealership and you have to tell them, "I have a \$500 product,  
3 and the integration is \$600 or \$700," they look at you and  
4 they're like, "Well, why am I going to buy that product from  
5 you? That's crazy."

6 So I lose business from that standpoint. I'm not able to  
7 sell new business from that standpoint. I'm hurt in the aspect  
8 of the ability to constantly innovate because my attention is  
9 kind of spread on -- to supporting that integration, and I'm  
10 hindered in the fact that I can't go back and ask for new  
11 information easily.

12 There's also restrictions in the contract that if I am to  
13 use their data for anything specifically not named as a product,  
14 I have to come back to them to launch a new product. So if I  
15 want to do any new functionality, I'm not allowed to do that new  
16 functionality using their integration information unless I come  
17 back to them and recertify that product or add a product to my  
18 certification, at which point then I have to recontract.

19 Q Has AutoLoop considered using an integration provider other  
20 than 3PA --

21 A Yes.

22 Q -- or RCI? What other integration providers have you  
23 considered using?

24 A We've considered Authenticom. We actually do have some  
25 dealers using the DealerVault application. We considered going